

BEFORE THE  
POSTAL REGULATORY COMMISSION  
WASHINGTON, DC 20268-0001

Competitive Product Prices  
Global Expedited Package Services 3 (MC2010-28)  
Negotiated Service Agreement

Docket No. CP2015-9

PUBLIC REPRESENTATIVE COMMENTS ON  
POSTAL SERVICE NOTICE CONCERNING MODIFICATION TO  
GLOBAL EXPEDITED PACKAGE SERVICES 3  
NEGOTIATED SERVICE AGREEMENT

(May 21, 2015)

I. INTRODUCTION

The Public Representative hereby provides comments pursuant to Order No. 2483.<sup>1</sup> In that Order, the Commission reopens the above referenced docket to receive comments from interested persons, including the undersigned Public Representative, on a Postal Service Notice of filing a modification to Global Expedited Package Services 3 (GEPS 3) Negotiated Service Agreement (Agreement).<sup>2</sup>

II. BACKGROUND

The Commission approved the original GEPS 3 contract in Order No. 2256, dated November 21, 2014.<sup>3</sup> The Agreement became effective on December 1, 2014,

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<sup>1</sup> Notice and Order Concerning Modification to a Global Expedited Package Services 3 Negotiated Service Agreement, May 14, 2015 (Order No.2483).

<sup>2</sup> Notice of the United States Postal Service of Filing Modification to Global Expedited Package Services 3 Negotiated Service Agreement, May 13, 2015 (Notice).

<sup>3</sup> Order Approving Additional Global Expedited Package Services 3 Negotiated Service Agreement, November 21, 2014 (Order No. 2256). See *also*: Notice of the United States Postal Service of Filing a Functionally Equivalent Global Expedited Package Services 3 Negotiated Service Agreement and Application for Non-Public Treatment of Materials Filed under Seal, November 12, 2014.

and was scheduled to expire in one year.<sup>4</sup> On May 13, 2015, the Postal Service filed the Notice that it had agreed to a modification to the existing GEPS 3 negotiated service agreement subject of the current docket (Modification). To support the Notice, the Postal Service filed certified statement of compliance with 39 U.S.C. § 3633(a), a redacted copy of the Modification and redacted versions of the revised supporting financial documents. In addition, the Postal Service filed (under seal) the unredacted Modification and unredacted financial documentation.

The Modification applies to Articles 5-6 and 11 of the Agreement. Notice at 1. It also replaces Annex 2 of the Agreement with the new price charts for PMEI and PMI shipping services. The rates in the Modification are intended to become effective on June 1, 2015. *Id.*

### III. COMMENTS

The Public Representative has reviewed the Postal Service's Notice, the original and modified GEPS 3 contract, the baseline agreement<sup>5</sup> and the supporting financial model filed under seal. Based upon that review, the Public Representative concludes that the modified contract continues to be functionally equivalent to the baseline agreement. In addition, it appears that the negotiated prices in the modified contract should generate sufficient revenue to cover costs. However, the Public Representative has a concern described below.

For one of the shipping services, the modified prices included in Annex 2, do not generate sufficient revenue to cover costs. As a result, in the modified GEPS 3 contract, the relevant shipping service is subsidized by the other shipping service. Under current mail volume distribution, insufficient cost coverage observed for the part of the modified GEPS 3 contract does not seem to create a threat for the cost coverage of the overall

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<sup>4</sup> United States Postal Service Response to Order No. 2256 Concerning Effective Date of a Global Expedited Package Services 3 Negotiated Service Agreement, November 26, 2014.

<sup>5</sup> In Order No. 503, the Commission designated an agreement as the baseline agreement for assessing the functional equivalence of the agreements proposed for inclusion within the GEPS 3 product. See Docket Nos. MC2010-28 and CP 2010-71, Order Approving Global Expedited Package Services 3 Negotiated Service Agreement, July 29, 2010, at 7 (Order No. 503).

contract. However, if mail volume distribution changes significantly, the contract's cost coverage might fall below 100 percent.

The concern is mitigated somewhat by the fact that the Postal Service must file volume, revenue and cost data for the Agreement in the future Annual Compliance Report. This data will permit the Commission to review the financial results for the Agreement for compliance with 39 U.S.C § 3633(a).

The Public Representative respectfully submits the foregoing comments for the Commission's consideration.

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Lyudmila Y. Bzhilyanskaya  
Public Representative

901 New York Ave. NW  
Washington, DC 20268-0001  
202-789-6849  
lyudmila.bzhilyanskaya@prc.gov